

Message Text

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ACTION ARA-15

INFO OCT-01 ISO-00 PA-01 ICA-11 SP-02 AID-05 EB-08
NSC-05 TRSE-00 SS-15 STR-07 OMB-01 CEA-01 COME-00
FRB-03 XMB-02 OPIC-03 LAB-04 SIL-01 L-03 /088 W
-----022783 100204Z /70
R 081806Z SEP 78
FM AMEMBASSY PANAMA
TO SECSTATE WASHDC 8790

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EO 11652: N/A
TAGS: EFIN, PN
SUBJECT: PLANS TO CLOSE THE SECURITY PACIFIC
INTERAMERICAN BANK IN PANAMA

1. EMBASSY HAS LEARNED THAT EARLY IN 1978, THE SECURITY PACIFIC NATIONAL BANK IN CALIFORNIA MADE THE DECISION TO CLOSE OUT THE OPERATIONS OF ITS AFFILIATE, THE SECURITY PACIFIC INTERAMERICAN BANK S. A. (SPI) IN PANAMA. THE DECISION WAS TAKEN BECAUSE SPI HAD NOT SHOWN SUFFICIENT PROFIT AND DID NOT JUSTIFY THE MANAGEMENT HOURS EXPENDED. IN JUNE, THE DECISION WAS ANNOUNCED TO SPI'S MINORITY SHAREHOLDERS, WHO WERE TOLD THAT SPI WOULD LIQUIDATE ITS HOLDINGS BY 31 JULY 1978, AND THAT THEY WOULD BE OFFERED SEVENTY CENTS ON THE DOLLAR FOR THEIR ORIGINAL INVESTMENTS. THE MINORITY SHAREHOLDERS REPRESENT SIGNIFICANT FINANCIAL GROUPS IN GUATEMALA, HONDURAS, NICARAGUA, VENEZUELA AND PANAMA. THE VENEZUELAN GROUP EXPRESSED A DEFINITE INTEREST IN PURCHASING THE ENTIRE SPI OPERATION, AND STATED THAT IT WOULD NEED UNTIL 31 OCTOBER TO LINE UP ITS CAPITAL FOR SUCH A MOVE. CONSEQUENTLY, SPI IS NOW IN A WAITING PERIOD UNTIL THE VENEZUELAN FINANCIAL GROUP MAKES A FIRM PROPOSAL OR WITHDRAWS ITS OFFER. MR. JOHN J. MCGUIRE

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MANAGER OF SPI, BELIEVES THE VENEZUELAN GROUP TO BE WELL FINANCED AND FEELS THAT IT WILL PROBABLY DECIDE TO TAKE OVER SPI. MEANWHILE, SPI HAS REDUCED ITS OUTSTANDING LOAN BALANCE TO THE PANAMANIAN PRIVATE SECTOR FROM ABOUT \$12 MILLION DOWN TO ABOUT \$9 MILLION.

2. REGARDLESS OF WHETHER THE OUTCOME IS LIQUIDATION

OR A CHANGE OF OWNERSHIP, SPI IS FACED WITH SEVERAL PROBLEMS. THERE IS A FEELING AMONG THE PRESENT SPI MANAGEMENT THAT THE BANK'S CLOSING IS NOT FULLY UNDERSTOOD BY THE GOP LEADERSHIP. THEY NOTE CONCERN WITHIN THE GOP, WHICH HAS BEEN WORKING TOWARD TURNING PANAMA INTO A MAJOR INTERNATIONAL BANKING CENTER, OVER WHAT IS FELT TO BE AN UNWARRANTED WITHDRAWAL FROM PANAMA BY SECURITY PACIFIC NATIONAL BANK, ONE OF THE TEN LARGEST BANKS IN THE U.S. THERE HAS APPARENTLY BEEN AN IMPLIED THREAT BY THE PANAMANIAN BANKING COMMISSION THAT SPI WOULD NOT BE ALLOWED TO CLOSE. THERE IS LITTLE DANGER OF THE COMMISSION ACTUALLY CARRYING THROUGH ON SUCH A THREAT, BUT AS THE SOURCE INDICATED, IT IS A GOOD EXAMPLE OF OVER-REACTION BY THE COMMISSION TO A SITUATION WITH WHICH IT HAS NOT PREVIOUSLY BEEN CONFRONTED. SPI MANAGEMENT HOPES TO MAKE CLEAR TO THE APPROPRIATE GOP AUTHORITIES THAT THE CLOSING OF SPI IS STRICTLY AN INTERNAL BUREAUCRATIC DECISION, AND THAT SECURITY PACIFIC NATIONAL BANK WILL STILL BE REPRESENTED IN PANAMA BY ITS INTERNATIONAL LICENSED SECURITY PACIFIC BANK S.A., WHICH IS A SEPARATE ENTITY FROM SPI. THE EMBASSY HAS BEEN ASSURED THAT SECURITY PACIFIC NATIONAL BANK'S GOVERNMENT SECTOR LOANS, WHICH ARE FOR THE MOST PART NEGOTIATED OUTSIDE OF PANAMA, WILL NOT BE AFFECTED BY SPI'S CLOSING.

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3. ASSUMING THAT THE VENEZUELAN FINANCIAL GROUP SUCCEEDS IN TAKING OVER THE SPI OPERATION, THE PANAMANIAN BANKING COMMISSION IS NOT OBLIGATED TO GRANT A LICENSE TO WHAT WOULD ESSENTIALLY BE A NEW BANK IN PANAMA. MR. MCGUIRE DOES NOT BELIEVE THAT THIS WILL BECOME A PROBLEM, SINCE THE CREDENTIALS OF THE VENEZUELAN GROUP SHOULD BE SUFFICIENT TO IMPRESS THE BANKING COMMISSION. DIKEOS

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 jan 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: CLOSURE OF OFFICES, BANKS
Control Number: n/a
Copy: SINGLE
Draft Date: 08 sep 1978
Decaption Date: 01 jan 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 20 Mar 2014
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1978PANAMA06532
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Expiration:
Film Number: D780368-0842
Format: TEL
From: PANAMA
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1978/newtext/t19780988/aaaacuzm.tel
Line Count: 102
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: 9e3a1054-c288-dd11-92da-001cc4696bcc
Office: ACTION ARA
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: n/a
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 05 may 2005
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: N/A
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 1503852
Secure: OPEN
Status: NATIVE
Subject: PLANS TO CLOSE THE SECURITY PACIFIC INTERAMERICAN BANK IN PANAMA
TAGS: EFIN, PN, SECURITY PACIFIC INTERAMERICAN BANK
To: STATE
Type: TE
vdkgvwkey: odb://SAS/SAS.dbo.SAS_Docs/9e3a1054-c288-dd11-92da-001cc4696bcc
Review Markings:
Sheryl P. Walter
Declassified/Released
US Department of State
EO Systematic Review
20 Mar 2014
Markings: Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014